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Preserving North American Growth, Jobs, and Competitiveness: An Address to the AmCham Mexico

Address by
THOMAS J. DONOHUE
President and CEO, U.S. Chamber of Commerce

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Introduction

Good morning, ladies and gentlemen.

I'm glad to be back in Mexico for the U.S.-Mexico CEO Dialogue, and I appreciate the opportunity to share some of my thoughts with you today. I'd like to thank the AmCham Mexico and its president, Monica Flores, for the gracious hospitality. I also want to recognize my good friend, Ambassador Carlos Sada, Mexico's Undersecretary for North America.

I'd like to start by offering my condolences to the people of Mexico City who were impacted by the powerful earthquake last month. And I want to thank Mexico for quickly coming to our country's aid in the aftermath of Hurricane Harvey. It was another example of Mexico's longstanding friendship and support.

These have been unique times of testing for both of our nations. The resilience of many families, businesses, and communities have been tested in the wake of devastating storms and disasters. And the strength of our great nations' partnership is now being tested against the misguided forces of protectionism.

Over the centuries, our shared history has not been an easy one. But over the past generation in particular, thanks in large part to NAFTA, we have forged a special friendship.

It's a friendship rooted in common heritage and culture … shared economic and security interests … mutual strategic objectives … and an understanding that we have much to gain by working together as partners.

That spirit of cooperation has helped us establish North America as one of the most vibrant and competitive regions in the world.

It has helped us build deeply integrated supply chains that have created tens of millions of jobs for Americans, Mexicans, and Canadians. They enjoy an improved quality of life and a lower cost of living because we make things together and trade with each other.

In fact, U.S. exports to Canada and Mexico generate nearly $37,000 in annual export revenue for every American factory worker. And in the first eight months of 2017, exports from the United States to our NAFTA partners were worth four times as much as those to China.

That's why the developments that have brought the U.S. and Mexican business communities together many times over the past year—both in Mexico City and Washington—are so concerning.

The existential threat to the North American Free Trade Agreement is a threat to our partnership, our shared economic vibrancy, and clearly the national security and safety of all three nations.

Our free trade partners, in particular Canada and Mexico, are vital geopolitical allies in the fight against terrorism, transnational crime, and illegal immigration. In these trying and complicated times, we must double down on these relationships, not drive them apart.

This morning I want to talk to you about where I feel things stand with the NAFTA negotiations—and where the U.S. business community stands at this critical moment in our shared history.

We stand firmly on the side of a modern NAFTA that meets the needs of our 21st century economy … that supports $1 trillion in annual trade and tens of millions of jobs … and has the potential to create even more.

And then I want to talk a little about areas of opportunity beyond NAFTA. Of course we're going to fight like hell to protect the agreement; but no matter what happens, the U.S. business community isn't going anywhere.

The trilateral commercial relationship is far too valuable to American businesses, workers, and economic growth for us to retreat or turn inward. And the U.S. private sector aims to ensure that it thrives through this negotiation and the many that we hope will follow.

The NAFTA Negotiations

For those of us deeply invested in the NAFTA debate—which is probably all of us here—we've been on something of a roller coaster ride.

When the new administration came to office, we urged calm as we waited to see whether the realities of governing would win out over the rhetoric of the campaign trail.

We were relieved when the urgent efforts of the Chamber, key figures in the White House, and top leaders in Canada and Mexico convinced the president not to move forward with a disastrous withdrawal from the deal.

We were cautiously optimistic when negotiations to modernize the deal—something we support—got off to a productive start.

And let's give credit where credit is due—some very positive things have come out of the negotiations so far. Negotiators have made real progress on a number of chapters, including customs, small business, competition policy, and digital trade.

But some of the thorniest issues are still on the table, and more will be thrown into the mix.

Heading into the negotiations, you could say that our strategy has been to speak softly and give the administration every opportunity, all the support, and just enough pressure to do the right thing.

We've done that. We've been patient, cool-headed, and constructive.

But let me be forceful and direct.

There are several poison pill proposals still on the table that could doom the entire deal.

One proposal is to impose a sunset clause stipulating that the deal would terminate after five years unless all three parties agree it should continue.

We all know that certainty and stability are crucial to successful trade relationships—and necessary to foster a pro-investment environment that drives economic growth and job creation. This clause would achieve the opposite effect.

And it is the result of the undue emphasis the White House has placed on the U.S. trade balance in all of our agreements. The business community, along with any economist worth his or her salt, has repeatedly explained that the trade balance is not only the wrong way to measure who's "winning" on trade, it's the wrong focus, and is impossible to achieve without crippling the economy.

Another counter-productive proposal is tightening the agreement's rules of origin.

Under NAFTA, the rules of origin are already extremely tough. For example, in the automotive sector, 62.5% of a car or truck must be produced within North America to qualify for duty-free treatment. This is the highest such rule of origin in the world for this sector.

If the administration's proposal were to move forward, companies would cease trading under NAFTA and simply pay the generally low U.S. tariffs established under the rules of the WTO.

So the impact would be the opposite of what's intended: U.S. industry would source more inputs from Asia and less from the U.S. That's right—this proposal would actually send business overseas.

And then there's the issue of investor-state dispute settlement.

The administration is considering eliminating this important tool, or making it somehow optional. ISDS is a long-standing mechanism for using neutral arbitration to resolve investment disputes. And for the record, the U.S. government has never lost a case.

Far from infringing on anyone's sovereignty, it ensures that investors are treated fairly and compensated in the event of expropriation. Making it optional would raise questions around the world about America's commitment to these due process principles.

Another troubling proposal would curtail NAFTA's existing procurement rules.

U.S. negotiators are proposing a "dollar for dollar" opening of North American procurement markets. While this might appear to be a pro-"Buy American" move at first glance, it would have the opposite effect: It would lead directly to reduced sales of made-in-USA products and harm the American workers who make them.

And since the U.S. procurement market is much larger, Canadians and Mexicans would wind up with greatly reduced access to the U.S. market relative to what they currently have.

Simply put, this is a bad idea that promises no benefit and risks considerable harm—and, by-the-way, no one's asking for it!

All of these proposals are unnecessary and unacceptable.

They have been met with strong opposition from the business and agricultural communities, congressional trade leaders, the Canadian and Mexican governments, and even other U.S. agencies.

Ladies and gentlemen, we've reached a critical moment.

And the Chamber has had no choice but ring the alarm bells.

A couple of weeks ago, I penned an op-ed for the *Wall Street Journal* warning the administration, in the starkest terms yet, that undermining NAFTA would be a grave and costly mistake.

If the administration issued a withdrawal order—which requires a six-month waiting period—it would not be viewed by our partners in Canada and Mexico as a negotiating tactic. Instead, it would abruptly slam the door on future negotiations because those governments have made it very clear they won't negotiate with a gun to their head.

The United States could then reasonably expect trade retaliation … higher tariffs … broken supply chains … and potentially less cooperation on other priorities like anti-terrorism and anti-narcotics efforts.

And who would be hurt the most as a result? The very Americans that this administration seeks to put first.

In Washington, we have been working directly with top officials. There are sober-minded decision makers within the administration, and we are urging them to step up and be heard. Some of the most powerful members of Congress also wield tremendous influence on trade issues. We are encouraging them to stay strong under pressure and to steel their resolve for what could be a big a fight.

We are also organizing on Capitol Hill. Tomorrow, we'll send an army of NAFTA supporters to Congress to make the case to their representatives and senators. And to demonstrate the broad support for NAFTA, today we'll be sending the White House a letter signed by more than 300 state and local chambers from all 50 states reiterating the benefits of the agreement and insisting that U.S. negotiators "do no harm."

Finally, to raise public awareness of the importance of NAFTA to our economy and to the livelihoods of millions of U.S. workers, we're aggressively engaging in traditional and social media.

I give this progress report not because we're looking for a pat on the back—but because I want it to be abundantly clear that the U.S. business community will stand up for an important agreement that makes North America stronger and more prosperous.

I also want it to be clear that the U.S. business community is committed to Mexico—and no matter what happens, we're not going anywhere. I think that message has at times been lost here in Mexico because the rhetoric has been so heated—putting at risk employment, growth and prosperity in your country and your NAFTA partners..

I want to thank AmCham Mexico for its efforts to highlight the value of U.S. investment in Mexico and to dispel misinformation that is harmful to both our economies and U.S. and Mexican workers alike.

The bottom line is that we cannot let the highly-charged debate over NAFTA jeopardize U.S. commercial engagement in Mexico—nor can we let it eclipse other areas of opportunity.

Beyond NAFTA—Areas of Opportunity

In fact—despite the very significant challenges we face—I think it's more important than ever that the U.S. and Mexican business communities work together to advance our agenda for a stronger, more vibrant bilateral relationship.

And that's exactly what we'll be doing here in Mexico City today and tomorrow. The U.S. Chamber, CCE, AmCham Mexico, and top business leaders from both countries are sitting down for the 9th session of the U.S.-Mexico CEO Dialogue, which we launched together five years ago.

There are six key issues that we'll be focusing on—all of which can deepen our commercial ties and help us maintain our competitive advantage in the global economy.

The first is **energy**.

Working together, the U.S. and Mexico can strengthen North American energy independence and transform our region into the energy superpower of the 21st century.

To do it, we should focus on combining regional opportunities that have been made possible by technological breakthroughs and hard-won reforms in Mexico's energy sector.

Priorities include growing institutional capacity, creating competitive market conditions, expanding interconnectivity, and fostering regulatory cooperation.

Another area of focus is **financial services**, which is essential for long-term, sustainable economic growth in North America.

The private sector can help unleash the power of U.S. and Mexican markets by further integrating the industry across borders, innovating new products, and better serving disadvantaged and low-income segments of society. And while the U.S. administration tends to only speak about trade in goods, it is important to remember that the financial services sector plays an important role in the $37 billion trade surplus we had with our NAFTA partners in 2015—the latest available data.

We're also focusing on **agriculture**.

The process of integrating the U.S. and Mexican agricultural markets over the past 20 years has created a bonanza for ranchers, farmers, and consumers on both sides of the border. We must continue to advance policy priorities that help streamline agricultural trade and enhance this mutually beneficial exchange of goods.

And to strengthen our interconnected production and supply chains, we must keep improving **trade facilitation**—which is being further enhanced by the completion and implemention of the WTO's Trade Faciliation Agreement.

The Dialogue has an agenda with over 50 recommendations to optimize our shared border. Our ideas include infrastructure planning and development, harmonization of customs processes, implementation of a single window, pre-clearance and pre-inspection, and border management cooperation—just to name a few.

Another significant issue facing both of our nations is **health care**.

These are highly complex issues that are often bogged down by politics, but there is a lot the private sector can do to lead solutions. And it's important that we do—the health and wellness of our populations directly impact regional competitiveness and economic gains, not to mention quality of life and financial security for individuals.

Members of the Dialogue are already collaborating on programs to promote the economic benefits of wellness and disease prevention.

The Chamber will be back in Mexico later this year for a joint program with AmCham Mexico and other partners to promote best practices in employee wellness and innovations in healthcare delivery.

The final issue I'll mention is **innovation**.

A joint commitment to innovation will drive progress on all of the other issues I've mentioned. And working together to enhance the region's leadership in the knowledge economy will give us a decisive edge in the global competition. So we must foster an environment that supports technology, employs data for business opportunities, and addresses and prevents cyber threats.

Ultimately, each of these priorities will power economic growth on both sides of the border—and help us stand stronger together in the global economy.

Conclusion

The U.S.-Mexico CEO Dialogue was born out of the idea that our respective private sectors play an important leadership role in advancing our relationship. Today our role is also to protect that relationship against the threats that we now face.

And, ladies and gentlemen, our leadership is needed now more than ever. The private sectors of our great countries have a responsibility to ensure that our relationship remains strong and close … that it fulfills its potential … that it honors our common heritage … that it ensures our shared prosperity … and that it serves the mutual interests of our peoples.

That means we've got to fight to preserve NAFTA. And we've got to exemplify the spirit of cooperation necessary to seize shared opportunities for greater partnership and greater growth in all three of the NAFTA countries.

Above all, we've got to stand by each other—and stand up for what's right—no matter what happens in the months ahead.

Thank you very much for your attention and support for what is right.

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